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WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

EDWARD B. KRINSKY, INC.

EDWARD B KRINSKY, ARBITRATOR
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In the Matter of Mediation-Arbitration Between*
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Beloit City Employees Local 2537, AFSCME, *
AFL-CIO *
*
-and- *
*
City of Beloit *
*
* * * * *

Case 60
No. 34404 MED/ARB 3145
Decision No. 22392-A

Appearances:

Hansen, Eggers, Berres, Kelley & Blakely by Daniel T. Kelley,
City Attorney, for the City.

David Ahrens, Staff Representative, for the Union.

On March 11, 1985, the Wisconsin Employment Relations Commission appointed the undersigned as Mediator-Arbitrator in the above-captioned case. Mediation was attempted on May 7, 1985 at Beloit, Wisconsin. That same day, and the following day an arbitration hearing was conducted at which the parties had the opportunity to present evidence, testimony, and arguments. The record was completed with the exchange by the arbitrator of the parties' post-hearing reply briefs on August 13, 1985.

The parties' final offers are as follows:

- Union
- 1) Wages 4% 1/1/85
3% 1/1/86
2% 7/1/86
- 2) Longevity: 3% over Step C (24 months): 1/1/85-10 years
6% over Step C (24 months); 1/1/86-15 years
- 3) 11.11: a. Revise to current 1985 dollar figures
b. ditto
c. ditto
- 4) 16.02 6% for WRS employee contribution
- 5) Reclass: Animal Control Warden to Pay Range 8
- 6) All other existing provisions of 1983-84 Labor Agreement

City

1) Wage Schedule "Appendix B" to remain at status quo (i.e., 1984 rates) for calendar 1985 except as modified during the course of bargaining.

2) Modify Article 17 section 17.01 (a) as follows:

Employees whose jobs have been eliminated shall have the right to bump the least senior employee in their classification. If the employee whose job has been eliminated is the least senior employee in the classification, they may bump the least senior employee in the classifications below, provided they are qualified and can demonstrate their ability to do the least senior employees job.

3) Animal Control Warden to Pay Range VI.

Issue: Wages

Facts:

The Union supports its wage offer by reference to job classifications in comparable cities. It uses for comparison those jurisdictions which, it asserts, have been found appropriate for comparison purposes in prior arbitration proceedings involving the City. The cities used are: Janesville, LaCrosse, Fond du Lac, Sheboygan, Oshkosh and Eau Claire. Rock County, in which the City is located, is also used for comparisons. The positions used are those which the Union asserts have been used as benchmarks in other arbitration proceedings. The Union makes comparisons with the maximum rates of: Clerk/Typist I, Library Assistant I, Clerk/Typist II, Account Clerk I and Engineer Aide II. The Union's exhibits include Fond du Lac, and Rock County but the 1985 contracts have not yet been settled. Therefore, the arbitrator has omitted Fond du Lac. He has indicated the Rock County rate, however, assuming implementation of the county's 3.0% final offer. Using the remaining five comparison cities, the figures presented by the Union show:

Clerk Typist I - 1985

Range: \$ 6.26 to 7.18
Median: \$ 6.45
Beloit Union Offer: \$ 5.85
City Offer: \$ 5.63
Rock County (@ 3%) \$ 4.98

Library Assistant I - 1985

Range: \$ 4.90 to \$ 6.98
Median: \$ 6.65
Beloit: Union offer: \$ 6.21
City Offer: \$ 5.97

Clerk/Typist II - 1985

Range: \$ 6.78 to \$ 7.89
Median: \$ 7.31
Beloit Union Offer: \$ 6.96
City Offer: \$ 6.69
Rock County (@ 3%) \$ 6.30

Account Clerk I - 1985

Range: \$ 7.28 to \$ 8.69
Median: \$ 8.30
Beloit Union Offer: \$ 7.34
City Offer: \$ 7.06
Rock County (@ 3%) \$ 6.62

Engineering Aide II - 1985

Range: \$ 9.65 to \$ 11.11
Median: \$ 9.98
Beloit Union Offer: \$ 9.02
City Offer: \$ 8.67

For 1985 the settlements were across the board wage increases ranging from 2.5% to 6.0%. The median increase was 5.4%. The Union's 1985 wage offer in Beloit is 4.0%. The City offers no wage increase. The Union's 1986 wage offer averages 4.0%. The City's final offer is for a 1985 agreement, and thus contains no 1986 wage increase.

According to the Union its offer would leave Beloit's rank as is in 1985 at three of the benchmarks, and would raise Beloit one rank at two benchmarks.

The City presented wage comparisons with seven other cities: Appleton, Fond du Lac, Kenosha, LaCrosse, Oshkosh, Racine and Wausau. It provided data for the minimum and maximum rates for the following classifications: Clerk/Typist II, Account Clerk I, Secretary, Communications Operator, Custodian, and Assessor II. The data presented show monthly rates for 1984. The arbitrator has derived the following information from City Exhibit # 49:

Clerk/Typist II - Minimum
Range: \$ 926/mo. to \$ 1532/mo.
Median: \$ 1072
Beloit: \$ 899

Clerk/Typist II - Maximum
Range: \$ 1048 to \$ 1620
Median: \$ 1177
Beloit: \$ 1194

Account Clerk I - Minimum
Range: \$ 966 to \$ 1532
Median: \$ 1109
Beloit: \$ 971

Account Clerk I - Maximum
Range: \$ 1075 to \$ 1620
Median: \$ 1241
Beloit: \$ 1258

Secretary - Minimum
Range: \$ 943 to \$ 1436
Median: \$ 1146
Beloit: \$ 1007

Secretary - Maximum

Range: \$ 1048 to \$ 1549

Median: \$ 1306

Beloit: \$ 1297

Communications Operator

Note: Only two of the comparison cities had this classification in 1984. Beloit was lowest at the minimum and ranked second at the maximum.

Custodian - Minimum

Range: \$ 974 to \$ 1473

Median: \$ 1216

Beloit: \$ 1154

Custodian - Maximum

Range: \$ 1213 to \$ 1473

Median: \$ 1314

Beloit: \$ 1537

Assessor II

Note: Only two of the comparison cities had this classification in 1984. Beloit was lowest at the minimum and ranked second at the maximum.

The Union used the City's data in its brief to show that if one assumes a 4% increase for 1985 in the City's comparable municipalities, the ranking of the City slips one rank at the maximum of Clerk-Typist II, Account-Clerk I, and Secretary. (Note: 4% is less than the median 1985 increase given in the Union's comparable municipalities.)

The City presented wage comparisons with the recently bargained collective bargaining agreements between two major Beloit corporations and their employes, Colt Industries and Beloit Corporation. These corporations account for about half of the private sector manufacturing employment in Beloit.

The City showed that at Colt Industries there was no wage increase given for the first year of the contract (8/85-8/86) and the second year increase was 4%. There was also a two-tier wage system implemented which affects new employes.

The Beloit Corporation has agreements with three Unions. The Molders Union agreed to a 1984-88 Agreement with no wage increases and a new two-tier system. There are COLA increases in 1986 and 1987. The Pattern-makers Union agreed to a 1984-87 Agreement with no wage increases. There is provision for two COLA payments. The Machinists Union agreed to no wage increase in the first year (although there was a cost of living adjustment), 4% in the second year and 4% in the third year. There is a 95¢/hour COLA adjustment rolled into the first year rate, and up to 41¢/hour COLA in the second year.

The City also presented national wage data showing agreements bargained in major private establishments (bargaining units having at least 1000 employes). The 1984 agreements reflected the lowest wage increases since the data series was started in 1968. The data show that in 1984, 77% of the workers received a first year wage increase, 18% received no change, and 5% had wage decreases.

For non-manufacturing industry, excluding construction, the average wage adjustment in these establishments, without COLA, was 3.4%. Where an increase was received, the average was 4.6%. Where wages were decreased, the average decrease was 8.7%. The increases affected 809,000 employes; the decreases 44,000 employes.

Discussion:

The external municipal comparisons favor the Union's 1985 wage offer. The Union's offer is below the median offer given in comparable municipalities. It retains the ranking of unit employes in comparable benchmark positions, whereas there is some deterioration in ranking as the result of the City's offer.

There are no internal wage comparisons to be made. The City is maintaining a consistent no-wage-offer position and there have been no voluntary agreements, and no arbitration awards establishing 1985 wage increases in Beloit.

The private sector comparisons favor the City's position insofar as new wage offers are concerned, but the inclusion of COLA benefits in the wage rates at Beloit Corporation makes it difficult to discern which final offer is most comparable to these private sector increases.

The national data, insofar as it is relevant, indicates that the wage increase offered by the Union is not out of line with wage agreements reached in 1984 in non-manufacturing industries.

Based solely on the public and private sector wage comparisons, the arbitrator finds the Union's offer to be more reasonable. However, this does not account for questions of ability to pay and/or interest and welfare of the public on which the City relies in making its no-wage offer. The essential question is whether the data and arguments presented by the City on those matters support its case, and do so to the extent that they outweigh the arguments made by the Union. That is discussed further below.

The Union's wage offer includes an increase for 1986 as well, of 3% in January, 1986 and 2% in July, 1986. Those figures do not appear to be unreasonable, although no data were presented showing 1986 wage settlements, if any, in comparable jurisdictions. Because of the importance of the 1985 wage dispute, the arbitrator will base his decision on which of the two 1985 offers seems more reasonable. If he awards in favor of the City, the parties can bargain 1986 wages. If he awards in favor of the Union, then 1986 is settled, thereby, at what would appear to be a reasonable wage rate.

Issue: Longevity

Facts:

The Union's proposal would improve the existing longevity program for the bargaining unit. The Union argues that the amount proposed is far less than the longevity program in effect for firefighters and policemen. It argues also that comparability with other bargaining units in the City is more appropriate for longevity than comparability with what is done in other cities.

The City in its Exhibit #23 calculates the cost per hour of the City's existing longevity program and contrasts it with what the average Beloit employee would receive if employed in any of the comparable municipalities. The exhibit shows Beloit to have a program whose cost ranks fifth if compared to the ten other municipalities. The City argues in its brief that the City "gives adequate recognition to longevity."

Discussion:

There are arguments to be made in support of each party's position on longevity. As indicated above in the discussion of the wage issue, there is a question about whether it is in the interests and welfare of the public to meet the Union's economic offer, and/or whether the City has the ability to do so. Regardless of that determination, however, it is clear to the arbitrator that the economic climate in which the parties are now operating does not lend itself to increasing fringe benefits without there being very persuasive justification for doing so. The Union's arguments do not persuade the arbitrator that additional longevity benefits are essential at this time. On this issue the arbitrator would decide in favor of the City's offer.

Issue: Health Insurance

Facts:

The Union's final offer would change the health insurance contribution dollar figures in the Agreement to 1985 levels. That is, the Union proposes that the City continue as it has in the past to pay the full dollar premiums for health insurance for employees. The City proposes to maintain the status quo.

The Union contends that the City has always paid the full cost of health insurance premiums for its employees. It contends that the City has not attempted to change this in bargaining, and has presented no rationale for its final offer in bargaining, and has offered employees nothing in the way of a buy-out to get them to accept a change in the method of paying for health insurance.

The City argues that this issue in the Union's final offer is a non-issue, since no employe has had to pay any portion of the premium. It argues that the language of 11.01 of the 1984 Agreement states, for example,

"The City will pay the appropriate premium for such applicable coverage for the duration of the labor agreement as follows: a) Regular full-time employees and their dependents, \$ 189.09 per month during 1983 plus any increase in premiums during the term of this Agreement." The City argues that there has been no contribution required of employees, and the status quo would not require any change in that regard.

Discussion:

There seems to be no dispute that whichever final offer is awarded, it will be retroactive to January 1, 1985. This being so, the arbitrator interprets maintenance of the status quo to be a continued commitment by the City to pay "any increase in premium during the term of this Agreement." Therefore, in his view, there is no substantive difference between the parties' positions on this issue. The City will be committed to pay the amount stated in the 1983-84 Agreement and any increases during that Agreement as well as any subsequent increases which have occurred or which will occur under the Agreement which results from this arbitration.

In the arbitrator's opinion there is nothing to prevent the parties from voluntarily changing the dollar figures, if they wish to do so, to reflect the dollar costs in effect at the time that they revise the 1983-84 Agreement to incorporate the changes awarded in this proceeding.

In summary, the arbitrator does not view the health insurance issue as one in which there is a significant dispute between the parties, and in his view the issue does not favor either party's final offer.

Issue: Retirement Contribution

Facts:

The Union's offer is that the City increase its payment of the employees' share of Wisconsin Retirement Fund contributions from 5% to 6% on 1/1/86. The City's offer maintains the 5% status quo. The Union's data shows that all of the jurisdictions that it deems comparable now contribute the 5% employee share. For 1986 Eau Claire and Rock County are not settled with regard to this issue. Fond du Lac, Janesville, La Crosse, Oshkosh and Sheboygan have agreed to make the 6% payment 1/1/86.

The City does not dispute the data presented by the Union showing that comparable cities have agreed to provide the 6% Wisconsin Retirement Fund pick-up beginning 1/1/86. It is also the case that in its bargaining with the City, the AFSCME local representing the Department of Public Works successfully bargained the 6% pick-up by the City on 1/1/86.

The City presented retirement data for Colt Industries and Beloit Corporation. It showed that a City employee making average City wages and employed for 30 years would receive a monthly benefit of \$ 456.30, whereas that employee would receive \$ 420 at Beloit Corporation and \$ 375 at Colt Industries.

Discussion:

The arbitrator believes that it is appropriate for comparison purposes to evaluate the retirement benefits of the City's employees by making comparisons with such benefits paid to employees doing similar work, for similar employers and under the same retirement system. There is no showing by the City that comparisons to Beloit Corporation and Colt Industries have been used by the City or by the parties together for determining what is an appropriate retirement benefit.

The Union's position is favored on this issue. However, the item is an economic one and cannot be considered in isolation. It will be considered in the same manner as the other economic items, below where consideration is also given to the cost of the economic package in its entirety.

Issue: Animal Control Warden Reclassification

Facts:

The Union offers to reclassify the Animal Control Warden from pay range 5 to 8. The Humane Officer is classified as pay range 10.

The incumbent Animal Control Warden, Ryan, testified that she does almost the identical functions as the Humane Officer. Both of them: patrol streets separately; capture stray animals, handle citizen complaints, give warning notices and citations, go to court if necessary, use a tranquilizer gun, call one another for assistance, maintain the City Pound, transport animals, euthenize animals and report to the same supervisor.

The only difference between their positions, according to Ryan, is that the Humane Officer is constitutionally recognized by the City as an Assistant Health Officer. That designation enables the Humane Officer to impound an animal on the owner's property against the owner's will without police there as witnesses. As Animal Control Warden, Ryan testified, she can impound an animal on the owner's property against the owner's will but she must have police there as witnesses.

LaFavor, the incumbent Humane Officer, testified. She concurred with Ryan's testimony in all respects.

City Personnel Director Davis testified in support of the City's offer to pay the Animal Control Warden at pay range 6. He testified that the Union's offer would result in putting the Animal Control Officer at a higher pay range than either the Aide or the Communications Officer in the Police Department. Davis testified that both of these positions have greater responsibility than does the Animal Control Warden.

Discussion:

The undisputed testimony of the incumbents in the Animal Control Warden and Humane Officer jobs is that they have precisely the same day to day

duties, but in addition the Humane Officer has additional constitutional responsibilities to impound animals on owner's properties against their will. How much should that difference be worth?

Under the existing arrangement there is a five range difference. There is no explanation for how that disparity came to exist during the parties' past collective bargaining. The City has offered to increase the Animal Control Warden to range 6 while the Union wants it at range 8.

There are job descriptions for the jobs. Their placement in pay ranges is bargained. There is nothing presented to the arbitrator concerning the systematic basis, if any exists, for the parties' placement of particular jobs in particular classifications. The City argues that if it does what the Union proposes on this matter, other inequities will result. That may be true. There are frequently inequities, real or perceived, when job classification changes are made.

The arbitrator believes that generally speaking the parties should bargain changes in their classification system, and not have changes made piecemeal by an arbitrator. If the parties disagree about the proper placement of a job they should have the classification system and the relationship of that job to it studied, or they should present enough data to an arbitrator about all of the jobs that might be affected so that the arbitrator can make an informed judgment about placement and attempt to avoid creating new inequities.

In summary, the Union may be correct that there is an inequity here. It may be correct that the inequity is corrected more with placement at range 8 than at range 6, but the City may also be correct that such a move will create new inequities. The arbitrator feels that not enough information was presented about the job classification system, or the placement of the various jobs in it, for him to make an informed judgment on this issue. Moreover, while the placement of this job is of great importance to the incumbent, and perhaps to the Union and City as well, it is clear to the arbitrator that it is not as important an issue as the outcome of the other economic issues in this case. Therefore, this issue will not be determinative, and the arbitrator will not decide either for or against the final offer of either party based in whole or in part on this issue.

Issue: Layoff Language

Facts:

As noted above in the description of the final offers, the City offers to make a change in the layoff language. The existing contract language allows an employe whose job is eliminated to have the right to bump "any junior employe in their classification and/or in their pay range or classifications in pay ranges below..." The City offer modifies the language to allow bumping rights to apply to "the least senior employe in their classification..."

Discussion:

The City presented no evidence or testimony at the hearing to support its position on this issue. In its reply brief it argued that the proposed change would bring the language into line with the AFSCME Department of Public Works contract covering another city bargaining unit. As stated concisely by the Union in its brief: (p. 7)

...The City failed to show how, if at all, it had ever been injured by the existing provision. It failed to show how the change in language would benefit the City and/or the Union. It failed to show any bargaining history that this provision had been the subject of negotiations in any prior year on (sic) the terms of such discussion in this year. Further it failed to show any buy-out. As the Arbitrator noted in Sauk County (Dec. No. 20449-A) where the County attempted to change the language concerning hours of work, "That is a right that the Union has not agreed to in past bargaining, and such a right should not be granted through arbitration without compelling circumstances which do not exist in this case. Any such change should be bargained."

Because there is no evidence that persuades the arbitrator that there is a need to change the language, and because of the arbitrator's strong preference that such language changes where they occur should be bargained, the Union's position on this issue is favored by the arbitrator.

Additional Factors to be Considered

The discussion(s) thus far has considered several of the statutory factors which the arbitrator is obligated to weigh. The remaining ones are discussed below:

One of the factors to be considered is (f) "the overall compensation presently received by the municipal employes, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits. The continuity and stability of employment, and all other benefits received."

The City presented its Exhibit 31 in which it took the average bargaining unit employe in Beloit and slotted that employe into the Agreements of comparable municipalities, and determined what the comparative costs per hour worked is in each of those municipalities relative to those costs in Beloit. The calculations included average hours worked, average straight time rate, health and welfare costs, cost of paid time off, retirement and income security. The City determined that in 1984 its total cost per hour for the bargaining unit was \$12.70. The median rate for the ten comparable cities was \$12.47. If Beloit were included in the rankings, it would have the fourth highest costs, behind Kenosha, Oshkosh and Sheboygan of the eleven cities. There was no similar data presented for 1985 for those cities which had settled their 1985 contracts.

In its Exhibit #52 the City calculated the actual costs of the Union's total proposal for 1985 compared to the costs in 1984. The increase is 6.3%. There are no exhibits which enable comparisons between what the total cost increase is in Beloit for 1985 compared to what has occurred in other municipalities.

In its Exhibit #32, the City made a calculation for 1985 which assumed the same workforce as existed at the end of 1984, with no quits and everyone advancing on the wage scale, and including the agreed upon reclassifications. The result of this calculation was a determination that the Union's offer would result in a 1985 cost increase of 9.26%. Using the same calculation method, the City costs its proposal as an increase of 2.43% over 1984. The City calculates the Union's 1986 proposed to cost 8.19%.

The data presented show what the estimated 1985 cost increase is of the parties' proposals, but there is no comparative data to indicate the reasonableness of the figures. The cost of the Union's offer, depending on the method of calculation is between 6.3% and 9.26%. These costs may be on the high side, given the current economy of the nation, state and locality, but they may not be excessive. They are certainly above the 4.3% increase in the cost of living (see below) although the City's 2.43% and Union's 6.3% are approximately equi-distant from the cost of living figure. The arbitrator has determined above that the Union's wage and retirement offer is a reasonable one unless the arbitrator is persuaded by the City's arguments with respect to ability to pay, and interests and welfare of the public, which are discussed below. The analysis of total costs made in this section, taken in isolation, does not persuade the arbitrator that either side's offer is the preferable one.

An additional factor to be considered is (e) the cost of living. The Union presented the cost of living data published by the federal government for Non-Metropolitan Urban Areas, the category within which the City falls. For Urban Wage and Clerical Employees in that category, the cost of living increased in 1984 (from February, 1984 to February, 1985) by 4.3%.

The City presented cost of living data from a publication of the American Chamber of Commerce Researcher's Association, from the 4th-quarter of 1984. It showed data for eleven Wisconsin cities, not including Beloit. The data show the index for Janesville for "All Items" at 89.5 compared to the national average of 100. The figures are not shown on a year to year basis. Professor Kreider of Beloit College, the City's expert witness on economics, testified that it is his opinion that Beloit has a lower cost of living than does Janesville, perhaps 6-12% lower than in comparable Wisconsin cities. He testified also that the national cost of living index had increased about 3.7% in the last twelve months (prior to the arbitration hearing). He estimated that the increase in that period in Beloit was "probably a little bit less, but perhaps not much," citing lower housing costs in Beloit as the basis for his estimate.

In the arbitrator's opinion the cost of living figures tend to support the Union's offer. A wage increase of 4%, with total costs in excess of 6% appears to the arbitrator to be more compatible with a cost of living

increase of 4.3% for 1984 or perhaps slightly less in Beloit, than does the City's offer of a 0% wage increase, with total costs in excess of 2%. The Union's offer would result in some real gain (adjusted for price increases), whereas the City's offer would result in real loss for the affected employes.

Several factors listed in the statute are not germane to the present dispute. There is no dispute concerning (a) the lawful authority of the municipal employer; or, (b) stipulations of the parties; and there have not been changes (g) in the foregoing circumstances during the arbitration proceedings which should affect the outcome of this dispute, in the arbitrator's opinion.

The statutory factor that remains is (c) "the interest and welfare of the public and the financial ability of the unit of government to meet the cost of any proposed settlement." Although the City argues that it should not be required by the arbitrator to incur costs beyond what it has offered, there is no question about the "financial ability of the unit of government to meet the cost of any proposed settlement." The Union's offer could be met by some combination of internal budget redistribution, use of additional reserves, further increases in taxation and further borrowing, and further spending reductions. The question before the arbitrator is really not "does the City have the financial ability" to pay more? Rather, it is "is it in the interest and welfare of the public to require the City to pay more?"

The Union presented data and testimony to support its position that the City's financial condition is sound and can support the Union's final offer. In its Exhibit #4, the Union showed the full value tax rate for each of the six cities with which it compares Beloit. If Beloit is ranked with them, it has the third highest full value rate of the seven cities. The Union argues that the City can withstand additional tax burdens.

Mark Gray, a labor economist employed by AFSCME's national office, testified concerning the City's financial condition. His testimony was based on budget documents that the Union had requested and the City had made available.

He testified that since at least 1979, the City has maintained a substantial Unreserved Fund Balance. In 1981 it was more than 25% of total revenues, and at the end of 1984 it was approximately 1.5 million dollars, or about 8.8% of total revenues. The 1985 figure is 1.029 million dollars, or 5.97% of total revenues. Gray testified that these amounts are above the 3-5% of total revenues that is regarded as the fiscally prudent standard by AFSCME and various city government associations, (which he was not able to name specifically).

Gray testified also that the City has realized a yearly surplus in its budget since at least 1979. The estimated surplus for 1984 was \$83,000.

Gray testified that City expenditures have grown each year since 1979, and in only one year 1980 would there have been a decrease if the growth were adjusted for inflation. He stated that from 1981 through 1984 City taxes have increased by 13.2%, contrasted with increases in the County/State share of 34.2%, the Vocational School share of 23% and the Schools share of 15%. The City increased the property tax 16% in 1984, he testified.

Gray gave examples of budget lines that had funds available which could be used to pay for the Union's offer. He testified that for 1985 the City budgeted \$150,000 for contingency, increased extra personnel in the Recreation Department by \$108,762 (342.7%) and increased the budget for conferences and institutes by 12%.

Gray testified that of Wisconsin cities over 20,000 population Beloit ranked 22 of 23 in the net average residential property tax. The tax is \$848.60 in Beloit. If Beloit is not included, the median is \$1136.29. The average, including Beloit is \$1263.84.

City Director of Finance Schreve testified in rebuttal to Gray's testimony. He estimated that the reserve fund at the end of 1985, as now budgeted, would have 1.029 million dollars. He gave his opinion that one million dollars is the absolute minimum amount that should be in the reserve fund, "to maintain the necessary cash flows to maintain the general operational fiscal integrity of the City," and to avoid further borrowing. Schreve testified that the City has already initiated short-term borrowing of two million dollars, which he believes is the first short-term borrowing the City has ever done, and definitely it is the first time during his five years with the City. The cost to the City of that borrowing is \$10,000. Schreve testified also that Beloit's equalized value has come to a standstill, whereas in most other places in Wisconsin there is a yearly increase of 3-4%.

Regarding the budget increase in the Recreation budget, Schreve testified that only \$20,000 was new personnel costs. The remainder was a budget-transfer from the fees account. Schreve expected the \$20,000 to be paid for by fees also. In its reply brief the City demonstrated that the new expenditures were between \$8-9,000, not \$20,000.

Schreve also cited the fact that the City's bond rating has slipped. Some three years ago it was AA, then went to A-1 and for the past year has been A. He testified that the bond rating has slipped due, perhaps, to the City's weakened financial position, economic factors in the community, and the City's failure to do more to increase revenues. The City has now raised property taxes and sewer service charges, he testified.

Schreve testified on cross-examination that the City has laid off 8 employees, he believes, and eliminated some 10 other positions by attrition. He estimated that if the Union's final offers in this and the other unsettled bargaining units were implemented, the effect would be to require an additional tax increase of 75-80 cents per \$1,000.

The City devoted much of its presentation to its economic justification for not offering to increase wages and economic benefits in its final offer. The data relate to the City's financial condition.

In its Exhibit #5 the City demonstrated that from 1980 to 1983 its population dropped 2.5% at the same time that Wisconsin cities over 25,000 population were experiencing an average 1.7% gain. In 1983 the Adjusted Gross Income per capita in Beloit was 95% of the State Average and ranked 21st of 24 Wisconsin cities. Mean Income per capita in Beloit ranked 19th of 24 Wisconsin cities.

Professor Kreider developed an index which he entitled "Effective Adjusted Full Value Tax Rate Adjusted for Relative Income." He viewed this index, he testified, as an index of the citizens' of Beloit ability to pay. He derived this figure by dividing the Effective Full Value Tax Rate for each City by the Adjusted Gross Income per capita figure for each city. Of the 22 Wisconsin cities where the data was available Beloit ranked 5th. That is, Beloit had the 5th highest effective rate adjusted for gross income.

Professor Kreider also developed figures showing the Equalized Value Taxable Property per capita in each city. Beloit ranks lowest of all Wisconsin cities according to this index.

The City also presented tax data, not on a per capita basis. The City in its Exhibit #15 shows that Beloit ranks last among these twelve cities in 1984 equalized valuation for all property. Beloit's full value equalized tax rate is shown to be 3rd highest (\$8.89) compared to the average for those cities of \$7.63. In response to Union questioning, Schreve indicated that if the City were required to implement the final offers of all of the Unions, the result would be to increase the average residential property tax about \$26, which would raise it to \$874, which would rank third lowest of cities in the state, compared to second lowest in 1984.

The City also presented data on unemployment in Beloit. The data are for the Janesville-Beloit SMSA, compiled by Wisconsin DILHR. For 1984 they show an average rate of 8.1 compared to a statewide average for the year of 7.4%. The exhibit covers 1974-84, and in each of those years the unemployment rate in the Janesville-Beloit SMSA is higher than for the state as a whole.

City witnesses testified that there has been a reduction in employment at Colt Industries to 532 from 880 in 1983. At Beloit Corporation there are 2160 employees. There were 2900 in 1982.

The City presented data on job applications, which it takes from would-be employees whether or not there are positions vacant. Since the beginning of 1984 there have been 580 applicants for jobs, of whom 554 are from the "Greater Beloit" area.

The City also presented separation data for 1984 for the bargaining unit. There were 103 in the unit in full time and part time positions, and during 1984 there were 14 separations, including 4 retirements, and 2 layoffs (1.5FTE). Three employes left to take other employment.

The City Council in Beloit has taken measures to require belt-tightening among all City employes, not just those in the bargaining unit represented here. This is a result both of the City's own financial situation and the economic situation faced by citizens and businesses in Beloit. The City rightly points to reduced employment in the community, layoffs, wage freezes and introduction of two-tier wage systems as evidence of the need for its actions. These factors are coupled with the City's decision to raise property taxes 16% in order to provide sufficient revenues for its no-wage-increase budget.

In arguing that the arbitrator should support its actions as being in the interests and welfare of the public the City argues that, "the budgetary actions of the City Council are the expression of the interest and welfare of the public - as a matter of law." The arbitrator does not wish to debate this point except to say that "interests and welfare of the public" was one among several factors included in the statute by the legislature when it enumerated what the arbitrator must consider. Moreover, it is not a reasonable interpretation of that statute to construe it as a legislative mandate that actions of all City Councils in arbitration be upheld. That would eliminate the need for arbitration. Certainly the arbitrator views the City Council as attempting to represent the interests and welfare of the public, and he gives considerable weight to those actions, but he must balance the City Council's perspective with the Union's perspective and must weigh both in considering the statutory factors.

The arbitrator does not share the Union's skepticism and cynicism, as reflected in its briefs, concerning the City's financial efforts to control spending. While in any budget one can quarrel with particular expenditures, the efforts of the City Council show clearly that an attempt has been made to reduce spending. There are many examples of this:

- of 18 City departments, 8 had budget increases: 10 had budget reductions in 1985 compared to 1984. The total budget of all departments was 2.2% lower in 1985 than 1984.
- the total City budget is reduced 0.7% from 1985 to 1984
- the Unreserved Fund Balance is reduced from 1.53 million dollars to 1.03 million dollars
- City subsidies to its various Enterprise Funds are reduced by a net total of \$13,372.
- Short-term borrowing has been undertaken to borrow some 2.5 million dollars.
- 19 full-time positions have been deleted from the budget, while 1.7 part-time and 9.9 "extra" positions have been added.

The Union contends that there is money for the increases it is proposing. Aside from the fact that the Union would question or reduce various budget

items, the Union points to the Unreserved Fund Balance. The testimony of AFSCME Labor Economists Gray is that the City has maintained unusually high and unnecessary fund balances. He cited unspecified municipal finance associations which urge that such fund balances be in the 3-5% range. Using the higher figure, Gray estimates that the balance should be about \$860,000, in contrast to the 1.029 million figure for 1985. This would make available some \$169,000. In addition, Gray pointed out, there is a \$150,000 contingency fund figure in the 1985 budget. In past years the City has budgeted more for contingencies than it has used, and thus there is likely to be additional unexpended money in the budget. Finance Director Schreve, testifying for the City, testified that in his best judgment the Unreserved Fund Balance should not be permitted to go below one million dollars. If the fund were reduced to that figure, the amount made available would be \$29,000. The difference for 1985 between the cost of the Union and City final offers is \$86,355 according to City calculations and that does not account for the costs of the other bargaining units if they were to receive increases also.

The arbitrator believes that without raising taxes further the City could have found the resources to pay some wage increase to its employees. Certainly, with additional taxes and/or borrowing or spending reductions it could have done so. The question is whether it should have been required to do so. The arbitrator's decision would be much less difficult if the City had proposed a modest increase, lower than that given in other jurisdictions and done in the name of needed belt-tightening. What makes this case difficult is that the City has chosen to give no wage increase. Is that a reasonable and/or necessary position, and if it is not necessary, is it more or less reasonable than the Union's proposed increases?

Aside from questions of whether the money is available, discussed above, the City argues strenuously that the tax situation argues against any increase. The Union points out that although it is true that the tax rate has been increased 16%, the City did not raise taxes during the last three years, and the Union infers that if the City had acted prudently as did other taxing units there would not be the need for the drastic no-wage situation it faces now. The City counters with the argument that it didn't have to raise taxes previously because it was able to use large accumulated balances. Also, it notes, during those years the employees were given wage increases. The arbitrator does not wish to engage in speculation in hindsight about whether and to what extent the City should have raised taxes in past years. He is concerned with the current situation and his decision is not going to be based on what the City did or should have done in the past.

As noted above, the City presented numerous pieces of economic data to describe the City's current economic position. What makes this data of limited usefulness, is that there is no presentation of what has happened over time. That is, one cannot ascertain whether the City's relative position in comparison with other municipalities is the same, better, or worse than it has been in the past. For example, is it a new development

that Beloit has the lowest equalized valuation per capita among Wisconsin cities? Is Beloit's rank among Wisconsin cities for Adjusted Gross Income per capita, now 21st of 24 different from what it has been in the past?

Is Beloit's Mean Income per capita, which was 19th of 24 in 1981 among Wisconsin Cities, changed relatively from what it was before? Is Beloit's ranking of third highest equalized tax rate in 1984 a change? For these and the other measures put forward by the City, they show that the relative economic position of Beloit is not good. However, if this situation has existed for years, and nothing drastically different has happened in 1984 to alter the situation, then in the arbitrator's view there is not justification for the drastic action of a no-wage increase at this time. If this is a long-standing economic situation that is in need of being addressed, then it is appropriate that it be addressed, but a more gradual approach might be more reasonable than suddenly calling upon all Beloit employees to take no wage increases.

There may be a serious problem in Beloit but it does not appear to the arbitrator to be an emergency requiring that there be no wage increase. The amount of additional revenue that will be required to meet the Union's offer is not of such magnitude as to markedly worsen the City's financial position, whatever means is used to pay it. There is no doubt that the interests and welfare of the public is served by prudent municipal financial management, and the City has certainly taken actions which serve that purpose. However, in the arbitrator's opinion, the interest and welfare of the public also requires that its employees be treated fairly, and in view of what comparable jurisdictions have given to their employees and the increase in the cost of living, the arbitrator is not persuaded that there is justification or fairness in the drastic step of freezing wages. A modest wage increase should have been offered, in the arbitrator's opinion, even while the City was trying to control its finances. The Union's offer, while higher than the arbitrator would prefer to see implemented in the current economic situation, is more equitable and has greater justification than the City's offer, in the arbitrator's opinion.

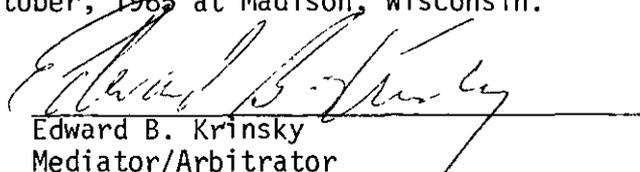
Conclusion

The statute requires that the arbitrator select one final offer in its entirety. In the arbitrator's opinion the Union's offer, which is preferred on the issues of wages, retirement and layoff language, is more reasonable than the City's offer which is preferred on longevity. Although the interest and welfare of the public factor is perhaps somewhat better served by the City's offer, those considerations do not outweigh the factors which favor the Union's offer.

Based on the above facts and discussion, the Arbitrator makes the following AWARD:

The final offer of the Union is selected.

Dated this ^{11th} day of October, 1985 at Madison, Wisconsin.


Edward B. Krinsky
Mediator/Arbitrator